

IMPROPER PAYMENTS INFORMATION ACT

IMPROPER PAYMENT RISK ASSESSMENT

Due to the inherent lag in reviewing and evaluating improper payments, GSA received approval from OMB to report prior year Improper Payments Information Act (IPIA) and Recovery Audit program results for current year reporting in an effort to obtain more accurate estimates of improper payments and recovery effectiveness. In FY 2009, GSA performed a complete review of the internal controls surrounding the disbursement process and conducted a comprehensive risk assessment with the goal of estimating improper payment rates over each of GSA's externally reported programs. This systematic review considered the results of a statistical sampling review with the results of a global review of key disbursement risks using computer assisted auditing techniques, and included the results of GSA's post payment review and Recovery Audit, to assess overall program improper payment risks.

OMB defines a high risk program as having improper payments, greater than \$10 million and over 2.5 percent of program disbursements. Based on this systematic review of all programs, none of the GSA programs were identified as being high risk or susceptible to significant erroneous payments. While most programs were assessed as low risk, the Rental of Space, Building Operations, General Supplies Services portfolio, and the Reimbursable Work Authorizations programs were all assessed as medium risk, as they each were estimated to have at least 0.1 percent of program dollars and \$1 million of payments paid improperly. These medium risk programs collectively are responsible for 72 percent of the disbursement transactions and 92 percent of the \$48.9 million in payment dollars identified as improper in this review.

The overall improper payment rate for GSA was assessed at 0.29 percent with approximately \$48.9 million being identified as improper out of the \$16.7 billion of FY 2008 disbursements. Improper payments were identified as overpayments, underpayments, or payments without proper authorization or supporting documentation. This broader definition of improper payments is the reason over two times the amount of improper payments were identified in this review as compared to the improper payments identified through the Recovery Audit program. The results of the risk assessment including program risk assessments, estimated improper payment dollars and rates, are presented in Table 1.

Table 1: Results of FY 2009 Risk Assessment of FY 2008 Disbursements					
Program	Dollars of FY 2008 Disbursements	Number of FY 2008 Disbursements	FY 2008 Disbursements Paid Improperly	Percent of Dollars Paid Improperly	Overall Program Risk Assessment
FAS AAS Portfolio	\$3,698,739,888	32,996	\$498,313	0.0135%	Low
FAS Integrators	\$167,422,047	14,888	\$160,851	0.0961%	Low
FAS GSS Portfolio	\$1,293,516,335	1,052,371	\$2,208,816	0.1708%	Medium
FAS ITS Portfolio	\$1,073,468,138	76,622	\$62,906	0.0059%	Low
FAS TMVCS Portfolio	\$2,237,925,908	131,058	\$1,838,801	0.0822%	Low
External Services	\$296,462,530	90,428	\$327,624	0.1105%	Low
GM&A	\$206,982,317	69,014	\$527,970	0.2551%	Low
PBS Building Operations	\$1,407,684,844	250,446	\$4,529,751	0.3218%	Medium
PBS Major Repairs and Alterations	\$519,938,072	3,085	\$207,267	0.0399%	Low
PBS Minor Repairs and Alterations	\$416,778,140	10,910	\$205,315	0.0493%	Low
PBS New Construction and Acquisition	\$549,769,336	2,896	\$0	0.0000%	Low
PBS Reimbursable Work Authorization	\$835,399,462	29,732	\$1,826,323	0.2186%	Medium
PBS Rental of Space	\$4,008,138,359	111,562	\$36,527,573	0.9113%	Medium
Total	\$16,712,225,382	1,876,008	\$48,921,509	0.2927%	

RECOVERY AUDIT PROGRAM

GSA's Recovery Audit program reviewed \$13.3 billion of the \$15.3 billion in disbursements subject to review for FY 2009 reporting. Payments subject to other independent audits which include Construction, Fleet and the Transportation programs were excluded from review. The Recovery Audit program has identified over \$220 million of overpayments since 2004 and successfully recovered over \$88 million. All amounts recovered are returned to the original program, excluding a contingency fee paid to the recovery audit contractor upon successful collection of contractor identified claims. Current and prior year results of the Recovery Audit program are presented in "Recovery Auditing Results" table.

Recovery Auditing Results Current Year (FY 2009) and Prior Years (FYs 2004 through 2008)								
Agency Component	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
GSA-wide	\$15.3 B	\$13.3 B	\$23.1 M	\$9.1 M (40%)	\$187.7 M	\$88.8 M (47%)	\$220.6 M	\$97.9 M (44%)

The Recovery Audit program has been working with managers to improve the efficiency and effectiveness of the recovery audit process, from payment review to claim collection. Business process changes have been proposed and new controls identified to prevent further occurrences of known disbursement risks. One change involves strengthening the post-payment review process to support risk-based reviews of key disbursement risks and provide managers with continuous monitoring over the disbursement process.

Obtaining the necessary supporting documentation to assess the validity of payments remains a challenge due to documentation not existing in electronic form and difficulties in accessing the supporting documentation in the many business and feeder systems that exist across GSA. Better system integration and wide-spread adoption of electronic imaging of key supporting documentation would help address this problem, reduce the cost of these reviews, and improve the accuracy and timelines of the post-payment and pre-payment review processes at GSA.

Over the upcoming fiscal year, GSA plans to expand the scope of the Recovery Audit program to aggressively pursue improper payments in risk areas identified in the FY 2009 IPIA Risk Assessment, which include utility payments, telecommunications payments (local and long distance) and Recovery Act payments. These reviews, combined with efforts underway to strengthen controls to address the weaknesses identified in the IPIA review, are expected to significantly reduce GSA's improper payments in FY 2010. Results of recovery audits will continue to be monitored monthly, root causes of improper payments reviewed, and controls reviewed annually and tested as part of the A-123 assessment of internal controls over financial reporting. GSA continues to view the Recovery Auditing program as a key element of its overall program of effective internal controls over the payment process.

GSA's FY 2009 Recovery Audit Program Results	
Recovery Audit Program Costs	\$2,008,561
Agency Salaries & Expenses	\$169,900
Total Contracted Expenses	\$1,838,661
Paid	\$1,354,804
Due	\$483,856
Total Payment Errors Identified	\$23,059,752
Discovered by Contractor	\$8,861,017
Amount Unrecoverable	\$0
Amount Recovered	\$6,529,178
Amount Outstanding	\$2,331,839
Discovered Internally by GSA	\$14,198,735
Amount Unrecoverable	\$25,948
Amount Recovered	\$2,584,391
Amount Outstanding	\$11,588,397